

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

* * * * *

In the Matter of

THE APPLICATION OF NORTH CENTRAL)
TELEPHONE COOPERATIVE CORPORATION)
FOR AN ORDER AUTHORIZING SAID)
CORPORATION TO BORROW \$8,000,000.00)
FROM THE UNITED STATES OF AMERICA)
AND TO EXECUTE NOTES FOR SAID SUM)
TO THE UNITED STATES OF AMERICA)
AND FOR THE PURPOSE OF CONSTRUCTING)
ITS TELEPHONE LINES AND SYSTEM AND)
UPGRADING OF THE FACILITIES TO)
ESTABLISH ONE PARTY SYSTEM THROUGHOUT)

CASE NO. 7909

O R D E R

On July 11, 1980, the North Central Rural Telephone Cooperative Corporation (Applicant), filed with the Commission its application for authority to borrow eight million (\$8,000,000.00) dollars from the United States of America, acting thru the administrator of the Rural Electrification Administration (REA), to be amortized over a period of thirty-five (35) years at an interest rate of five percent (5%). Applicant further requested authority to execute the necessary notes for the proposed loan, and for a Certificate of Public Convenience and Necessity for the purpose of completing its current one-party upgrading program and to construct additional telephone lines and other facilities, all as more specifically outlined in the application and record.

The matter was set for hearing in the Commission's offices at Frankfort, Kentucky on September 4, 1980, at 10:00 a.m., Eastern Daylight Time. The hearing was held as scheduled and all parties of interest were given the opportunity to be heard. There were no intervenors represented at the hearing.

The Commission, after consideration of the application and all evidence of record, and being advised, is of the opinion and FINDS that:

1) The Commission has previously granted in Case No. 6827 authority for Applicant to borrow \$7,820,000.00 from REA for the purpose of upgrading the system to one-party service. Together with \$324,798.00 available from previous loans, a total

of \$8,144,798.00 was made available for this program. As of August 1, 1980, \$7,244,647.00 had been spent, and now Applicant is requesting \$8,000,000.00 more to complete the program;

2) Thru a combination of the effects of inflation, higher-priced technological improvements, and badly underestimated original cost estimates, Applicant has incurred estimated project completion costs which are approximately double the original estimates, although the Commission does note that a portion of the pending loan will be used to serve new subscribers not included in the loan proposal in Case No. 6827;

3) The public convenience and necessity require that such construction and system improvements as are proposed in the application and record be performed, and that a Certificate of Public Convenience and Necessity should be granted, since all of Applicant's subscribers should be able to enjoy the benefits of the one-party service which is proposed. However, the Commission feels that Applicant should be required to furnish periodic reports to the Commission relative to project progress, funds expended, and contract cost overruns;

4) The proposed borrowing is for a lawful object within the corporate purposes of the Applicant, is necessary and appropriate for and consistent with the proper performance by the Applicant of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that North Central RTCC be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in the application and record.

IT IS FURTHER ORDERED that North Central RTCC be and it hereby is authorized to borrow eight million (\$8,000,000.00) dollars from the United States of America, acting through the administrator of the Rural Electrification Administration, at an

interest rate of five percent (5%) per annum, payable over a period of thirty-five (35) years, and to execute and deliver to REA the necessary notes therefor.

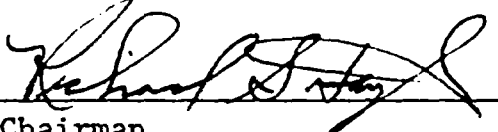
IT IS FURTHER ORDERED that the proceeds from the borrowing authorized herein shall be used only for the lawful purposes as set out in the application and record.

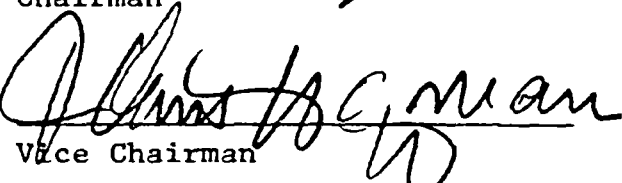
IT IS FURTHER ORDERED that North Central RTCC shall file with the Commission every six (6) months, commencing with the period ending June 30, 1981, a report relative to construction program progress, funds expended during the period, and details pertaining to any contract which has or will experience a cost overrun greater than ten percent (10%) of the original cost estimate.

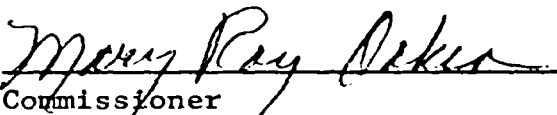
Nothing contained herein shall be deemed a finding of value for any purpose nor construed as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky this 24th day of October, 1980.

UTILITY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary